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TO: ALL AUTHORISED DEALERS,

GUIDELINES ON THE OPERATIONS OF CBN INTERVENTIONS IN THE INTER-BANK MARKET THROUGH THE TWO-WAY QUOTE SYSTEM

In the continuing effort to sustain stability in the foreign exchange market, the Central Bank of Nigeria shall from time to time intervene in the inter-bank market. This is in addition to WDAS-SPT and WDAS-FWD. Accordingly, Authorised Dealers are advised of the following guidelines regarding two new intervention methods:

1. **Method A:** The Central Bank of Nigeria shall intervene in the inter-bank market to either buy or sell.
 - a. Any Authorised Dealer interested in participating in the CBN intervention will do so by submitting its firm bid and offer rates for a specific amount and the spread between the bid and offer rates shall not exceed 20 pips (i.e. 20 kobo). e.g.

Amount: USD XXmillion

Bid: US\$/N XXX.30

Offer: US\$/N XXX.50

- b. The CBN shall reserve the right to either buy from or sell to an Authorised Dealer.
 - c. Quotes submitted by an Authorised Dealer shall be taken to be valid for an hour after the submission of the quotes. Successful bids and offers shall thereafter be immediately communicated.
2. **Method B:** The CBN may also participate directly in the inter-bank market by contacting Authorised Dealers either via the dealing system or telephone. When contacted, an Authorised Dealer shall provide quotes for a standard trade amount of US\$250,000.00 (Two hundred and fifty thousand US Dollars) and at a bid-offer spread of 5 pips (5 kobo) to the CBN. The standard trade amount and the bid-offer spread have both been aligned with inter-bank market specifications. The CBN intends to continue to adopt this approach. The CBN may ask for quotes for higher amount but the Authorised Dealer shall reserve the right to quote two-way (bid and offer) for this higher amount requested for but with a 20 pips (20 kobo) spread between bid and offer. The Authorised Dealer is not obliged to give quotes for the requested amount above US\$250,000.00, i.e., the Authorised Dealer may decline and offer to quote for the standard trade amount only at the 5 pip-spread between the bid and offer rates.
 3. All Authorised Dealers shall advise the names of their FX Dealers and Treasurers in writing to Director, Financial Markets Department. Any unprofessional trading conduct shall be treated as a compromise of market integrity and shall be sanctioned accordingly.
 4. CBN intervention trades will settle on T+2 basis.

5. Funds purchased through the CBN interventions can be applied for eligible transactions and can equally be sold (transferable) to other Authorised Dealers in the inter-bank market. CBN intervention trades should therefore be recorded and reported as inter-bank transactions.
6. All funds purchased through the CBN interventions shall be credited to the Authorised Dealer's Trading Nostro Account. All Authorised Dealers are to advise their Trading Nostro Accounts to credit such purchases through the CBN interventions. Authorised Dealers are not allowed under any circumstance to move funds between the FEM Nostro where WDAS funds are received and the Trading Nostro Account. Authorised Dealers shall, on the publication of these guidelines, immediately advise their Trading Nostro Accounts in writing to Director, Banking and Payments System Department. Further governance rules on the management of the Nostros shall be advised in due course.
7. The CBN intervention trades shall be guided by the provisions of the Nigerian Master Agreement for Foreign Exchange Transactions. Specifically:
 - a. Authorised Dealers are enjoined to fund their CBN Naira accounts for purchases of US Dollar or deliver US Dollar to the CBN promptly as the CBN will operate the interventions with Authorised Dealers on settlement risk basis. Consequently, US Dollar will be delivered to Authorised Dealers for US Dollar sales and Naira equivalent will be credited for US Dollar purchases from Authorised Dealers on T+2 basis and on the premise that the Authorised Dealers will irrevocably honour their obligations under the executed deals.
 - b. Non-settlement of Naira by Authorised Dealers shall not necessarily lead to cancellation of any CBN intervention trade. Defaults on either the Naira or

US Dollar settlement by any Authorised Dealer shall attract suspension from the WDAS-SPT and WDAS-FWD in addition to the provisions of section 10.2 of the Nigerian Master Agreement for Foreign Exchange Transactions.

- c. Late settlements of US Dollar or Naira by Authorised Dealers shall attract interest charges in line with the provisions of section 10.7 of the Nigerian Master Agreement for Foreign Exchange Transactions.
8. Authorised Dealers are required to trade within their foreign exchange Net Open Position Limit.
9. These guidelines become operational from the date of issuance.


BATARI MUSA
DIRECTOR

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